

MEMORANDUM OF AGREEMENT made this ____ day of _____, 2007.

BETWEEN:

THE CITY OF BRANDON,
(hereinafter called the "City"),

- and -

CENTRA GAS MANITOBA INC.,
(hereinafter called the "Company").

WHEREAS Great Northern Gas Utilities Ltd. and the City entered into a franchise agreement dated (hereinafter called the "Franchise Agreement") the 22nd day of May, 1956, for the supply of natural gas to the City;

AND WHEREAS the Franchise Agreement was assigned by Great Northern Gas Utilities Ltd. to Plains-Western Gas & Electric Co. Ltd. on the 27th day of June, 1956;

AND WHEREAS the Franchise Agreement was further assigned by Plains-Western Gas & Electric Co. Ltd. to the Plains-Western Gas (Manitoba) Ltd.;

AND WHEREAS Plains-Western Gas (Manitoba) Ltd. was amalgamated with Inter-City Gas Utilities Ltd. effective January 1, 1984 to form the Company, as a result whereof Inter-City Gas Utilities became the franchisee under the Franchise Agreement;

AND WHEREAS the Franchise Agreement was for a term of twenty (20) years ending the 31st day of October, 1977, subject to two five (5) year renewal periods as therein set out;

AND WHEREAS the Franchise Agreement was renewed for an initial period of five (5) years, commencing on the 1st day of November 1977, and ending on the 31st day of October, 1982;

AND WHEREAS the Franchise Agreement was renewed for a further period of five (5) years commencing on the 1st day of November 1982, and ending on the 31st day of October 1987;

AND WHEREAS the Company and the City renewed the franchise for the supply of natural gas to the City and its inhabitants by entering into a Franchise Agreement commencing 1st day of November 1987 and ending on the 31st day of October 1997;

AND WHEREAS the Franchise Agreement was renewed for a period of ten (10) years commencing on the 1st day of November 1997 and to be ended on the 31st day of October 2007;

AND WHEREAS the parties hereto have agreed that it is in their mutual interest to renew the franchise for the supply of natural gas to the City and its inhabitants prior to the termination of the Franchise Agreement;

AND WHEREAS it is agreed between the City and the Company that the Company supply natural gas to the City and its inhabitants in the City of Brandon, in Manitoba and as set out in the map attached as Appendix 1 hereto (the "Territory"), upon the terms and conditions set out herein;

AND WHEREAS by by-law duly passed by the Council of the City (the "By-law"), the Mayor and the City Clerk have been authorized and directed to execute this Agreement on behalf of the City;

NOW THEREFORE pursuant to the premises and in consideration of the sum of TEN DOLLARS (\$10.00) now paid by the Company to the City (the receipt of which is hereby acknowledged), and in further consideration of the mutual covenants hereinafter set forth it is mutually covenanted and agreed by the parties as follows:

1. Subject to compliance with the provisions of The Municipal Act (Manitoba), The Public Utilities Board Act (Manitoba) and The Gas Pipe Line Act (Manitoba), the City hereby grants to the Company, its successors and assigns, subject to the terms, conditions and provisions herein contained, the sole and exclusive franchise to supply

natural gas to the City and its inhabitants in the Territory, for a term of thirty (30) years from the date hereof. Provided always however, the Company agrees that with respect to all those portions of the Territory which the Company does not supply natural gas to, in the event the City, acting reasonably, requests the Company to supply natural gas upon the same terms and conditions as provided in this Agreement, and the Company refuses to do so, the Company shall relinquish that portion of the Territory from the franchise hereinbefore granted. The City further grants to the Company the full power, right, licence and liberty to enter upon property of the City and to lay down, take up, relay, connect, disconnect, repair, remove, maintain, replace and operate a gas distribution system and any and all necessary or convenient mains, pipes, services, and all other equipment and appliances as the Company may deem desirable for the supply transmission and distribution of gas (collectively the "Gas Distribution System") in, upon, over, across, under and along the public highways, streets, roads, bridges, walkways, sidewalks, road allowances, squares, lanes, alleys, ditches and other public places (collectively the "Highways") within the boundaries of the City as the same may from time to time exist, as may be necessary or convenient for the purpose of transporting and supplying natural gas to the consumers thereof. The Company is hereby authorized for the purposes aforesaid to enter upon any or all of the said Highways and to break the surface and make the necessary excavations therein and, without limiting the generality of all of the foregoing, to do all things reasonably necessary or convenient for the supplying of natural gas and for laying down, taking up, relaying, connecting, disconnecting, repairing, removing, maintaining, replacing and operating the Gas Distribution System.

2. (a) Subject to the provisions hereof, the Company agrees that during the term of this Agreement, it will install and maintain an adequate natural gas distribution system within the Territory and will provide such quantities of natural gas as will meet the requirements of the inhabitants, businesses and industries located in the Territory;

- (b) The Company shall not be bound to construct or extend its mains or provide natural gas or gas service if the Company is, for any reason, unable to obtain delivery of natural gas at or near the limits of the Territory, or an adequate supply thereof to warrant the construction or extension of its mains for the provision of natural gas, or, in connection with extension of its mains, if such extension is not reasonable and would not furnish sufficient business to justify the construction and maintenance thereof, any such extension, including contributions toward the cost of construction which may be required from inhabitants, businesses and industries located in the Territory, shall be in accordance with policies approved from time to time by the Public Utilities Board of Manitoba ("the Board");

- (c) In the event the amount of natural gas supplied to the Company at or near the limits of the Territory is insufficient to meet the requirements of connected consumers, the Company shall have the right to prescribe reasonable rules and regulations for allocating the available supply of natural gas to domestic, commercial and industrial consumers in that order of priority. The allocation of

natural gas shall also be subject to the provisions of The Gas Storage and Allocation Act and Regulations thereto;

(d) In the event that either of the conditions referred to in subsections (b) and (c) occur or are likely to occur, the Company will advise the City thereof as soon as the conditions become apparent to the Company.

3. The Company agrees:

(a) in the execution of the rights and powers granted hereby and in the performance of the work in connection therewith, it shall do as little damage as possible and shall keep passage of the Highways as far as may be practicable free and uninterrupted;

(b) it shall not interfere with, disturb or damage any existing pipes or lines of other utilities, unless the express consent of such other utilities is first had and received;

(c) it shall, within a reasonable time after any construction work, restore the Highways to a state of repair as nearly as possible equal to their former state to the satisfaction of the City acting reasonably, where such restoration is required by reason of the Company having installed or constructed the Gas Distribution System or part thereof;

- (d) in the execution of the rights and powers granted hereby it shall construct, locate and operate its Gas Distribution System in such manner as will not endanger the public health or safety.

4. Prior to the installation of any part of the Gas Distribution System, the Company shall file with the City plans showing the location, depth and size of all mains, pipes or conduits and any other equipment or structures (but not including geodetic information) intended to be installed or constructed and shall comply with all by-laws of the City relating to the construction of such works. The City shall have the right to designate to the Company the location of the Gas Distribution System in the Highways within the City and the Gas Distribution System shall be located in alleys, lanes and boulevards rather than in streets when reasonably practicable and where the cost of so doing will not be unreasonably high; and the Company shall give notice in writing to the City of its intention to break up any streets or lanes not less than seven (7) days before the beginning of such work except in cases of emergency when immediate notice shall suffice. The Company shall supply complete plans of its Gas Distribution System to the City on as-built basis and will from time to time keep such plans up to date as and when alterations are made.

- 5. (a) The Company shall protect and indemnify the City against any damages or expenses in connection with the execution of the powers granted hereby and under The Gas Pipe Line Act (Manitoba), and from and against all claims, demands, and actions by third persons in respect of damages

sustained by reason of any operations of the Company and in relation to its distribution system.

- (b) The Company shall satisfy the Board that it has in place at all times liability insurance coverage sufficient to satisfy any potential claim, demand or action against the Company or the City for such damages.

- 6.
 - (a) Before the City makes any repairs of, or alterations to, any of its public services which will involve excavations or which may in any way affect any of the Company's lines plant or equipment, the City shall give notice as set forth in the regulations in effect at that time and made pursuant to The Gas Pipe Line Act (Manitoba).

 - (b) Where practicable, the City shall have regard to the reasonable directions of the Company concerning any such repairs and alterations, but, in any event, the City is free of all liability in connection with any damage done by reason of any such repairs or alterations.

- 7.
 - (a) All costs in connection with the removal or relocation of any part of the Gas Distribution System, including the cost of repairs to any Highways, shall be the Company's responsibility except where such removal or relocation is required by the City.

- (b) Where the City requests the removal or relocation of any part of the Gas Distribution System and, in the opinion of the Company it is practicable and convenient to do so, the Company shall effect such removal or relocation as soon as is reasonably possible after such request is made; provided that all costs in connection with such removal or relocation shall be paid by the City including, without limiting the generality of the foregoing:
- (i) the cost of repairs to any Highway; and
 - (ii) the net book value plus the cost of replacement, less salvage value, of any part of the removed or relocated Gas Distribution System that is rendered unusable by virtue of such removal or relocation.

8. Natural gas shall be supplied to consumers in the Territory at the rates and on the terms and conditions approved or fixed from time to time by the Board or other regulatory authority having jurisdiction.

9. The Company shall maintain in force during the currency hereof, a policy of insurance provided by an insurance company licensed to do business in the Province of Manitoba, insuring against public liability and property damage in connection with the operations of the Gas Distribution System within the Territory.

10. The City agrees that it will not, for a period of thirty (30) years or longer, if this Agreement is renewed in accordance with the provision of paragraph 11 hereof, grant to

any other person, firm or corporation the right to deliver natural gas within the City or to erect or maintain a Gas Distribution System in, upon, over, across, or along its Highways for the purpose of supplying natural gas; provided however that this paragraph shall not prevent the sale or delivery within the City by any other person, firm or corporation of liquefied petroleum gas, propane or other product delivered in tanks or containers and not transmitted by pipeline.

11. (a) It is further agreed that at the expiration of the term hereof and at the expiration of each renewal hereof, the City may, after giving one (1) year's written notice prior to the date of the termination of this Agreement or of any renewal hereof, at its option (to be expressed by by-law of the City), elect to purchase that portion of the Gas Distribution System with respect to its operations within the City that is used exclusively for the distribution of natural gas in the Territory, pursuant to this Agreement, but not any portion of the Gas Distribution System that is used for transmission of natural gas through the City, for such price and on such terms as may be agreed upon between the parties hereto, or failing such agreement then at such price and on such terms including that portion of the Gas Distribution System the City is entitled to purchase as may be fixed and settled by the Board, or if the Board shall refuse to so fix and settle the price then the said price and terms shall be such as may be fixed and determined by arbitration under the provisions of The Arbitration Act (Manitoba) and each of the parties shall appoint an arbitrator and the arbitrators so appointed shall appoint a

third arbitrator to act as chairman who shall be versed in this special branch of engineering economics, and in the event the arbitrators appointed by each party are unable to appoint a third arbitrator, the third arbitrator shall be appointed by the Chief Justice of the Court of Queen's Bench of the Province of Manitoba. The decision of the Board or of a majority of the said arbitrators shall be binding upon the parties in arriving at the price. The Board or the said arbitrators shall make allowance for severance of the property and operation from other properties and operations of the Company in Manitoba. In the event of such purchase, the Company and the City will enter into an agreement respecting the use of and payment for such use by the City of Company-owned facilities which are not being purchased hereunder and for the sale of natural gas to the City for resale by the City to the inhabitants of the City, at such rates as may be agreed upon between the Company and the City and approved by the Board. If the City does not notify the Company in writing of its intention to purchase the property of the Company as aforesaid at least one (1) year before the expiration of this Agreement or any renewal thereof, this Agreement will be deemed to be automatically renewed for an additional term of ten (10) years, and at the end of the said ten (10) year renewal term, the said Agreement will be further automatically extended in absence of notice aforesaid for additional terms of ten (10) years from time to time. Provided further that at the time of any such renewal, changes in the terms of this Agreement may be made at the request of either party with the approval of

the other, and in the absence of such approval such changes may be made by reference to, under the authority of, and with the approval of the Board. Notwithstanding anything contained elsewhere in this Agreement, it is understood and agreed that if the City exercises its option to purchase the property of the Company with respect to its distribution operations within the area designated in this Agreement, such exercise shall not affect the right of the Company to continue to operate its transmission facilities in such area for so long as the same may be required by the Company.

- (b) The Company agrees that it shall provide written notice to the City at least two (2) years prior to the expiration of the term hereof and of each renewal hereof, of the City's election as set forth in paragraph 11(a) hereof.

12. Notwithstanding any other term or condition contained herein, neither party shall be liable to the other for failure to carry out its obligations hereunder when such failure is caused by force majeure as hereinafter defined. The term force majeure means civil disturbances, industrial disturbances (including strikes and lock-outs), interruptions by government or Court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, failure or inability to secure materials, permits or labourers by reason of priority regulations or orders of government, land slides, lightning, earth quakes, fires, storm, floods, wash-outs, explosions, breakage or accident to machinery or the Gas Distribution System, temporary or permanent failure of gas supply, an act or omission (including failure to deliver gas)

reducing supply of gas to the Company's supplier, or any other causes or circumstances to the extent such cause or circumstances was beyond the control of the party prevented from carrying out its obligations by the act of force majeure.

13. Subject to the provisions of The Public Utilities Board Act (Manitoba), the Company shall not without the consent of the City, such consent not to be unreasonably withheld, assign this Agreement or the rights, franchises, powers and privileges granted hereby or any of them; provided however the Company may assign this Agreement to any corporation with which the Company may then be associated or affiliated, as those terms are used in The Corporations Act (Manitoba) and the Income Tax Act (Canada).

14. This Agreement will be binding upon and enure to the benefit of the parties and their successors and assigns.

15. This Agreement is subject to the approval of the Manitoba Public Utilities Board.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

CITY OF BRANDON

Per: _____
Mayor

Per: _____
City Clerk

CENTRA GAS MANITOBA INC.

Per: _____
Authorized Signing Officer

Per: _____
Authorized Signing Officer